

## Message Text

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ACTION EB-07

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FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 3193

AMEMBASSY KUALA LUMPUR

INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE SINGAPORE 3342

E.O. 11652: N/A

TAGS: EINV, EMIN, MY, SN

SUBJ: FINANCE MINISTER COMMENTS ON HAW PAR-PERNAS CONTROVERSY

REF: SINGAPORE A-102 OF AUGUST 3, 1975 (NOTAL)

SUMMARY: THE RECENT DECISION BY GOS TO INVESTIGATE CHARGES OF MISUSE OF COMPANY FUNDS BY HAW PAR OFFICIALS HAS DEALT ANOTHER BLOW TO HAW PAR-PERNAS DEAL AND PROVOKED PUBLIC CRITICISM OF GOS BY PERNAS CHAIRMAN TUNKU RAZALEIGH. IN LENGTHY STATEMENT AND FOLLOWING QUESTION-ANSWER SESSION IN PARLIAMENT, GOS FINANCE MINISTER HON SUI SEN REJECTED RAZALEIGH'S CRITICISM AND SAID THAT GOS DESIRE TO PROTECT SMALL SINGAPORE SHARE-HOLDERS AND UPHOLD REGULATORY AGENCIES, NOT LACK OF SYMPATHY FOR MALAYSIA GOALS, HAS BEEN MAIN MOTIVATION FOR GOS ACTIONS IN CASE TO DATE. END SUMMARY.

1. AS REPORTED REFAIR, HAW PAR-PERNAS DEAL WAS DEALT DAMAGING BLOW LAST MONTH WHEN SINGAPORE'S SECURITIES INDUSTRY COUNCIL RULED THAT PROVISIONS OF SINGAPORE CODE ON TAKEOVERS AND MERGERS MUST BE COMPLIED WITH. RECENT WEEKS HAVE WITNESSED FOLLOWING NEW DEVELOPMENTS:

(A) CONTINUED REFUSAL OF STOCK EXCHANGE OF SINGAPORE TO  
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RELIST HAW PAR STOCK FOR TRADING.

(B) DECISION OF GOS TO APPOINT INDEPENDENT INVESTIGATORS TO LOOK INTO MISUSE OF COMPANY FUNDS. THIS IS FIRST TIME INVESTIGATIVE PROVISIONS OF COMPANIES ACT HAVE BEEN INVOKED BY GOS.

(C) SUBSEQUENT DEPARTURE FROM SINGAPORE OF HAW PAR'S BRITISH MANAGING DIRECTOR WATSON AND DEPUTY DIRECTOR TAMBLYN, FOLLOWED SHORTLY THEREAFTER BY THEIR RESIGNATION FROM HAW PAR BOARD. THE HAW PAR OFFICIALS CITED THE "CONSIDERABLE OPPOSITION" OF SINGAPORE AUTHORITIES TO THE DEAL AS REASON FOR THEIR RESIGNATION. GOS APPOINTED INSPECTORS HAVE STARTED PROCEDURES TO BRING WATSON BACK TO SINGAPORE TO GIVE EVIDENCE.

(D) STATEMENT BY PERNAS CHAIRMAN TUNKU RAZALEIGH HAMZAH AT UMNO MEETING IN ULU KELANTAN ECHOING OUTGOING HAW PAR OFFICIALS' CRITICISM OF GOS. SUNDAY TIMES JULY 27 REPORTED RAZALEIGH AS SAYING THAT MALAYSIA MAY HAVE TO CHANGE ITS ATTITUDE TOWARDS SINGAPORE IN VIEW OF ITS FAILURE TO SHOW GOOD WILL AND UNDERSTANDING ON HAW PAR-PERNAS DEAL. RAZALEIGH IS REPORTED TO HAVE REGRETTED THE ATTITUDE OF GOS IN PUTTING UP OBSTACLES TO FRUSTRATE THE DEAL. ACCORDING TO RAZALEIGH, "IT IS THEIR (GOS OFFICIAL'S) PREROGATIVE, BUT I THINK THE PEOPLE OF MALAYSIA WOULD UNDERSTAND THEIR ATTITUDE. ON OUR PART, WE WILL ALSO CHANGE OUR ATTITUDE TO SUIT THE PRESENT SITUATION." RAZALEIGH IMPLIED THAT SINGAPORE MAY HAVE OPPOSED THE DEAL BECAUSE IT WOULD INCREASE BUMIPUTRA (INDIGENOUS MALAY) PARTICIPATION IN MALAYSIAN INDUSTRIES (EMBASSY KUALA LUMPUR MAY WISH TO COMMENT FURTHER ON THE ACCURACY OF THE SUNDAY TIMES REPORT).

2. IN WHAT WAS CLEARLY A REBUTTAL TO RAZALEIGH, MINISTER OF FINANCE HON SUI SEN MADE LENGTHY STATEMENT ON HAW PAR CASE AT SPECIAL SESSION OF PARLIAMENT JULY 29. HE SET FORTH IN DETAIL FOR THE FIRST TIME GOS DEALINGS WITH HAW PAR OFFICIALS AND RAZALEIGH. MAIN POINTS OF HON STATEMENT ARE:

(A) GOS-ORDERED INVESTIGATION OF HAW PAR IS NOT DIRECTLY RELATED TO HAW PAR-PERNAS DEAL.

(B) GOS STILL HAS NO OBJECTION IN PRINCIPLE TO DEAL, BUT RULINGS OF SINGAPORE REGULATORY AGENCIES MUST BE COMPLIED WITH TO PROTECT THE SMALL SHAREHOLDER. HON SAID HAW PAR DIRECTORS HOPED TO ESCAPE NORMAL SCRUTINY BECAUSE THE TRANSACTION APPEARED TO BE "THE CARRYING OUT OF THE MALAYSIAN GOVERNMENT POLICY OF CONTROLLING ITS OWN NATURAL RESOURCES."

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3. IN REPLYING TO MEMBERS' QUESTIONS AFTER HIS STATEMENT, HON STRESSED THAT THERE WAS NO GOS INTENTION TO FRUSTRATE "ANY PLAN OF THE MALAYSIAN GOVERNMENT IN THE CONTROL OF ITS ASSETS." WHEN ASKED BY A MEMBER IF SOME OFFICIAL CONTACTS COULD BE ESTABLISHED WITH THE MALAYSIA GOVERNMENT SO THAT GOS INTENTIONS IN INVESTIGATING HAW PAR WOULD NOT BE "WRONGLY INTERPRETED", HON INDICATED THAT DESPITE THE CRITICISM FROM SUCH AN EMINENT GOM OFFICIAL AS TUNKU RAZALEIGH, THE GOS CONTINUES TO LOOK ON THE TRANSACTION AS A PURELY COMMERCIAL ONE. WHEN ASKED IF MALAYSIA HAD TAKEN ANY RETALIATORY STEPS, HON SAID: "I AM NOT AWARE OF SUCH MEASURES AND I HOPE THE STATEMENT BY TUNKU RAZALEIGH MERELY REFLECTED THE DISCONTENT AND UNHAPPINESS AT THE TRANSACTION

CONCERNED NOT BEING PUT THROUGH. THERE ARE OTHER FACTORS OF WHICH HE MAY NOT BE AWARE."

4. EMBASSY COMMENT: ALTHOUGH HON NEATLY SIDESTEPED THE QUESTION, THE HAW PAR-PERNAS BROUHAHA HAS NOW BECOME A BILATERAL POLITICAL/ECONOMIC ISSUE OF POSSIBLE SIGNIFICANCE BETWEEN MALAYSIA AND SINGAPORE. READING BETWEEN THE LINES, GOS OFFICIALS ARE CLEARLY MIFFED AT RAZALEIGH'S CRITICISM. JULY 30 STRAITS TIMES EDITORIAL CHARACTERIZED SAID CRITICISM AS "SOMEWHAT TESTY ACCUSATIONS." HON'S STATEMENT TO PARLIAMENT IMPLIED THAT RAZALEIGH IN JUNE MEETING WITH HON SEEMED TO FULLY UNDERSTAND ROLE OF SINGAPORE REGULATORY AGENCIES, AND STRESSED THAT RAZALEIGH AT THAT TIME HAD AGREED TO TEXT OF PRESS STATEMENT IN WHICH HON STATED GOS HAD NO OBJECTION IN PRINCIPLE TO THE DEAL.

5. EMBASSY FEELS THAT, GIVEN RECENT HAW PAR CORPORATE HISTORY OUTLINED REFAIR, HON DENIAL OF GOS ANTI-MALAYSIAN MOTIVATION IN HANDLING HAW PAR-PERNAS IS CREDIBLE. SINGAPORE DOES NOT NEED OR WISH TO PICK QUARREL WITH GOM OVER SUCH AN ISSUE AS HAW PAR, AND GOS GENERALLY PERCEIVES CLOSER ECONOMIC RELATIONSHIP WITH GOM AS IN SINGAPORE SELF-INTEREST.

6. ONE WELL-PLACED SINGAPORE BANKER IN CONVERSATION WITH DCM RELATED THAT HE RECENTLY TOLD RAZALEIGH THAT HE COULD HAVE HAD WHAT HE WANTED WITHOUT UNFAVORABLE CONSEQUENCES BY SIMPLY BUYING OUTRIGHT 20 PERCENT OF SHARES OF HAW PAR AND LONDON TIN. ACCORDING THIS SOURCE RAZALEIGH ACKNOWLEDGED THAT SUCH AN APPROACH WOULD HAVE BEEN BETTER. SOURCE SAID RAZALEIGH'S CRITICISM OF GOS PERHAPS MEANT TO HEAD-OFF ANY POSSIBLE MALAYSIAN CRITICISM LIMITED OFFICIAL USE  
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OF HIS OWN MANAGEMENT OF DEAL.

7. IF THERE ARE ANY GOS POLITICAL MOTIVATIONS IN ITS ACTIONS, THEY ARE ALMOST CERTAINLY DOMESTIC. LIKE CURRENT TRIALS OF MINISTER OF STATE FOR ENVIRONMENT WEE TOON BOON AND FORMER SIME DARBY CHAIRMAN PINDER, GOS OFFICIAL APPROACH TO HAW PAR PROBLEM SEEMS DESIGNED TO REINFORCE MESSAGE THAT GOS WILL VIGILANTLY PROTECT INTERESTS OF THE GENERAL PUBLIC INCLUDING SMALL STOCKHOLDERS AGAINST EFFORTS OF BOTH PUBLIC OFFICIALS AND PRIVATE CORPORATE DIRECTORS TO PROFIT AT PUBLIC EXPENSE. END COMMENT. HOLDRIDGE

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